Canadian Agriculture and Agri-Food

Exporter's Guide to Opportunities in the Middle East: BAHRAIN

AGRI-FOOD TRADE SERVICE

SERVICE D'EXPORTATION AGROALIMENTAIRE

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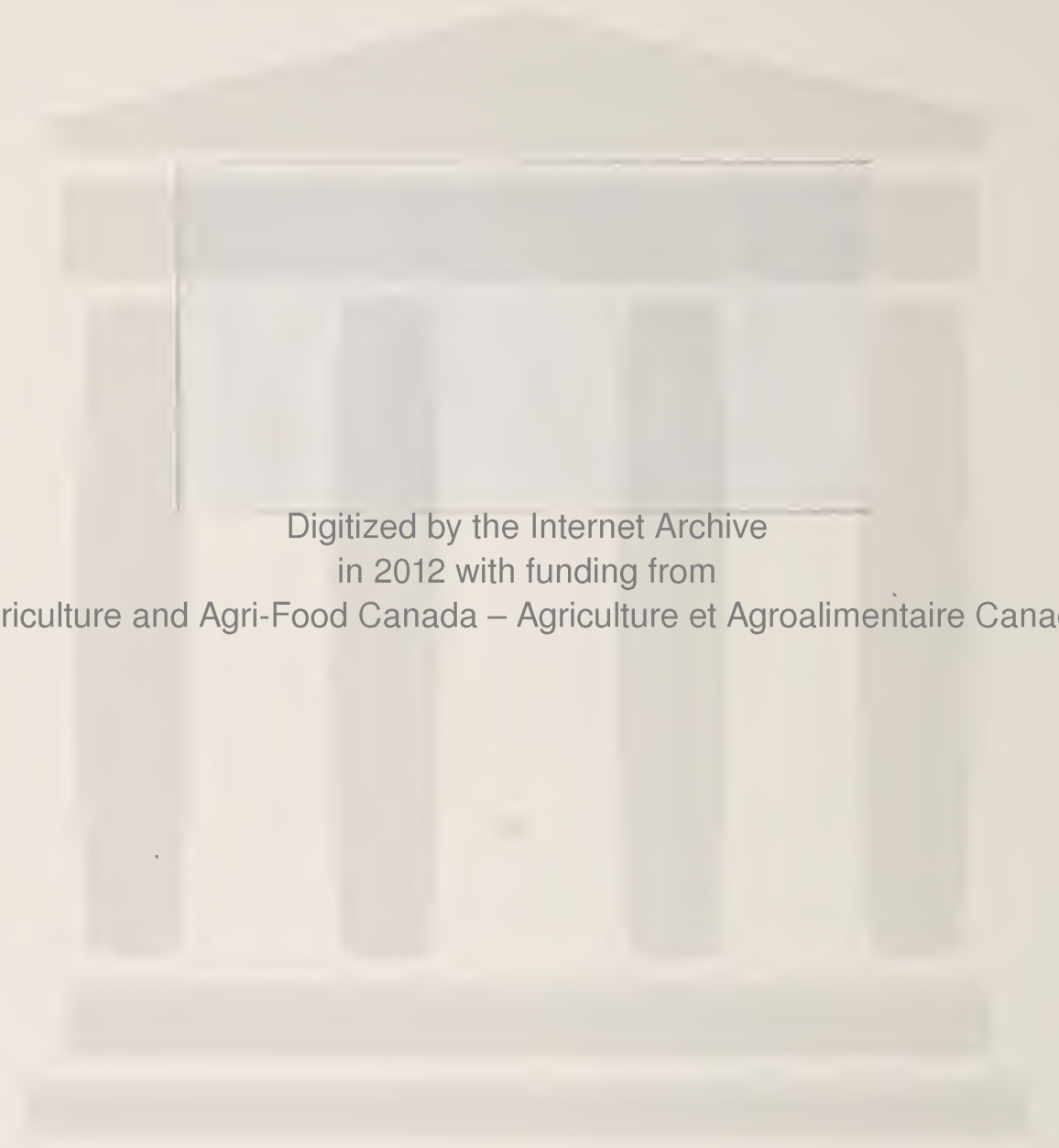

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CBDI

Canadian Business Develoment International
Presents:

Canadian Agriculture and Agri-Food
Exporter's Guide to Opportunities
in the Middle East:

BAHRAIN

OTHER AVAILABLE COUNTRIES IN THE STUDY

United Arab Emirates
Saudi Arabia
Kuwait
Oman
Qatar

Jordan
Lebanon
Syria
Yemen

Canadian Business Development International (CBDI) has been contracted by the Market Industry Services Branch of Agriculture and Agri-Food Canada to provide an overview of the export opportunities and general guidelines for Canadian exporters of agriculture and agri-food products in the following 10 countries in the Middle East:

1) Saudi Arabia	2) United Arab Emirates
3) Bahrain	4) Kuwait
5) Oman	6) Qatar
7) Jordan	8) Lebanon
9) Syria	10)Yemen

The studies of the other nine countries are available from Agriculture and Agri-Food Canada. All reports are available in English and French.

The study is a collection of the best available government and private sector information from Canada and abroad. It is designed to provide the reader with a fully compiled and referenced single source for all of this material as well as a detailed analysis of secondary import and export statistics provided by Statistics Canada and the World Trade Database.

The information contained in this document has been reviewed by trade and commodity experts at Agriculture and Agri-Food Canada, Department of Foreign Affairs and International Trade, and Canada's posts in the countries, and has met with their approval.

For a comprehensive list of the sources used by CBDI and a directory of contacts for further information please see the Bibliographical Index and Contact Information sections at the end of the report.

EXECUTIVE SUMMARY

INTRODUCTION:

The Agriculture and Agri-Food Exporter's Guide to Opportunities in the Middle East is designed to provide the reader with a single source reference manual on the key elements and opportunities for exporting to ten countries in the Middle East. It is intended for use by Canadian agri-food exporters. Trade Commissioners and other government officials will also find it a useful source document for information requests.

This study is in a modular format, such that each country profile can act as stand-alone documents, detailing the relevant information for potential Canadian exporters.

The statistical data included in this document has been provided by Statistics Canada (for Canadian exports) and the World Trade Database (for country imports). Due to the time and recording differentials inherent in the two databases, Canadian export statistics are provided in Canadian dollars, up to 1995; whereas country import statistics are only available in US dollars up to 1994. This standard is consistent throughout the document.

POTENTIAL OPPORTUNITIES:

The Middle East is generally an arid region with limited land available for agricultural production. Irrigation methods are used, however, countries (specifically Saudi Arabia) are finding it more difficult to drill for fresh and usable water, resulting in a further reduction of productive capabilities. As such, the region tends to import a large amount of agriculture and agri-food products to support consumption demands. These imports range from US$140 million (Qatar in 1994) to US$4.1 billion (Saudi Arabia in 1994). Thus it is clear that the Middle East offers immense potential for Canadian agri-food exporters.

Key opportunities include:

- **Processed Food and Products:** ***(HIGH)*** There are extensive opportunities for value-added products in all ten countries covered by this study, however, the UAE, Saudi Arabia, Bahrain, and Kuwait offer the best potential for growth.
- **Special Crops:** ***(HIGH)*** Canadian exports of special crops to the region have been increasing steadily over the past several years, with new opportunities emerging in chick peas and other pulses. Key markets are: the UAE, Saudi Arabia, Kuwait, and Syria.
- **Beverages:** ***(HIGH)*** Since most countries in the Middle East are predominantly Muslim, there is a high demand for non-alcoholic beverages. Canadian fruit and vegetable juices, carbonated flavoured water, and mineral water have the potential to do very well in the region. Bahrain, in particular, offers a great deal of potential for alcoholic beverages as well.
- **Grains and Oilseeds:** ***(MEDIUM)*** Although Canadian exports of grains and oilseeds have tended to be either erratic or declining, there are significant opportunities for canola oil and niche products in many countries, most notably Saudi Arabia and the UAE.
- **Eggs and Poultry:** ***(MEDIUM)*** There are promising opportunities for egg-type and broiler-type breeding chicks in Saudi Arabia, the UAE, Bahrain, and Yemen. As well, since pork is not consumed in most of the countries, poultry meat is generally a large staple.
- **Livestock and Other Animal Products:** ***(MEDIUM)*** Despite rigorous import regulations, the Middle East is a large import market for live animals and meat products. Strong potential exists in the UAE, Saudi Arabia, Jordan, and Syria.

GENERAL CONSTRAINTS:

Many North American's perceive the Middle East to be too complicated a market to enter, despite the significant opportunities that await determined exporters. Although there are very real constraints to dealing with the Middle East, they are easily overcome with the right approach. Some of the more notable difficulties include:

- **Transportation Costs:** Due to the long distances involved, there are considerable costs involved in exporting goods to the Middle East. Furthermore, containerization is often a problem. Since Canada does not import enough products that require refrigerated or ventilated containers, exporters often find it costly to bring these specialized containers up from the US.
  - *Although these are real constraints, Canadian exporters may consider consolidating shipments to the Middle East to reduce costs and avoid partially empty containers from increasing shipping costs.*

- **Language and Cultural Barriers:** Unlike exporting to the US or Europe, the Middle East is a dramatically different environment in which to operate. There are very specific ways to conduct business which may seem foreign to many Canadian exporters.
  - *These barriers are easily overcome with frequent visits to the region. Also important is the selection of a good agent who can bridge the gap in culture and language for the exporter*

- **Strict Regulations:** The Middle East has a number of regulations that make exporting to the region complex and cumbersome. Most notably are the strict Halal requirements for animal products and bilingual (and other) labelling requirements for all goods.
  - *The Canadian embassies in the region can help exporters understand and comply with these regulations, as well as assist in the selection of a good agent who will also help. This document also explains a number of the requirements for exporting to the region.*

It should also be noted that Canadian producers have an inherent advantage in meeting the labelling demands of the region, since they are already accustomed to printing bilingual labels for domestic use.

MARKETING TIPS:

Below are some suggestions for marketing Canadian products to the Middle East:

- If possible, visit the region. Face-to-face contact can be the difference between marketing success and failure. Bring product samples (where applicable) and be prepared to discuss price.
- Consider participating in major food shows in the area. It is an excellent way to meet potential customers from throughout the region and beyond.
- Eye-catching designs, logos, and colours that identify the product as Canadian may boost sales.
- Be ready to assist with shipping. If necessary, be ready to recommend a shipping company or directly arrange shipment and provide shipping costs.
- Be prepared to discuss marketing and advertising strategies. Gulf importers, in particular, are increasingly looking for advertising advice and assistance, especially with new-to-market products.
- Be aware that many importers will request exclusive agency agreements with suppliers. In many cases, local laws make it difficult to terminate an agency agreement, even with due cause. Thus selecting a good agent is particularly important.

REGIONAL INFORMATION

MARKETING:

The Middle East is a dynamic and diverse region with differences in the way business is conducted both within and between the various countries. However, there are some general rules for marketing products in the region.

- Face to face contact can significantly increase the chances of establishing successful business relations.
- Maintaining that relationship through frequent communications is equally important for success.
- The countries in the region are mostly cash markets, with substantial revenues from oil resources.
- Many of the countries have fairly young populations, implying higher disposable income and expected growth in the future.
- The Gulf countries in particular have highly advanced agriculture and agri-food markets that tend to be very price competitive.
- The region has a strong knowledge and growing desire for Western products.

Key points to stress when selling products are:

- competitive price;
- Canadian origin; and
- the high-quality of the products.

Considerable emphasis should be placed on the role of these countries as possible markets for re-export of Canadian products. The port of Dubai in the United Arab Emirates (UAE) in particular, is a major re-export market, serving markets in other Gulf countries, Pakistan, Iran, and countries of the former Soviet Union (FSU). The Dubai World Trade Centre reported that Dubai imports approximately 70% of the UAE's consumable items, worth US$1.9 billion per year. Around 70% of these imports are then re-exported. Approximately 20% of these re-exported goods go to Iran, which is Dubai's largest re-export market. Dubai's re-exports to FSU countries were US$405 million in 1995, 27% of which was comprised of agricultural and agri-food products (not including equipment and chemical fertilizers). Azerbaijan is the leading market in the FSU for these re-exported goods.

Each country has specific, and often complex marketing regulations, such as labelling requirements and best before dates, that potential Canadian exporters should examine carefully before bringing their products to the region. For example, in Bahrain, baby food has an 18 month expiry period compared with a 12 month period in the UAE or Saudi Arabia. This example serves to highlight the importance of verifying each country's regulations before any sales are made. The Trade Annex that accompanies each country profile provides the details of many of these regulations.

It is strongly recommended by Migra's Canadian Exporters Guide (1995) that the term "**Persian Gulf**" should not be used on goods, documents, or letters for some destinations in this region. Anything so marked might be confiscated and destroyed by the Arab authorities. The term "**Arabian Gulf**" should be used.

PRICING:

Generally, it is recognized that shipping adds considerably to the cost of items manufactured in Canada, which can face stiff competition from Far Eastern suppliers. Thus pricing of products, particularly processed or semi-processed foods and beverages is particularly important. Many of the countries in the region have very price competitive markets, however, high Canadian quality goes a long way. Moreover, exporters

should consider the option of consolidating shipments of various products in order to reduce the burden of transportation costs, thereby making products more price competitive when they reach the markets.

Some of the countries in the region have strict policies with respect to pricing, while others have general norms that are followed by most exporters. Pricing policies are listed in the Annexes for each country.

RESTRICTED IMPORTS:
All imported beef and poultry products require a health certificate from the country of origin and a halal slaughter certificate issued by an approved Islamic centre in the country of origin ("halal" slaughter refers to animal slaughter performed according to Islamic law).

TRADE ARRANGEMENTS:
Gulf Cooperation Council (GCC):
The Gulf Cooperation Council (GCC) consists of six member countries (Saudi Arabia, the United Arab Emirates, Kuwait, Bahrain, Qatar, and Oman). The GCC controls half of the proven oil reserves outside the former Soviet Union, and accounts for about 40% of all the oil moving in international trade. Created in 1981, the GCC tried to maintain the balance of power in the Gulf by strengthening multilateral cooperation in security and economic matters. The presidency of the GCC rotates yearly among the rulers of the member countries. The GCC is headquartered in Riyadh, Saudi Arabia.

As far as trade is concerned, the GCC is a loose confederation which serves only as a policy-coordinating forum for its members. It cannot impose trade policies upon its member states, thus each is free to pass and enforce its own trade laws.

In recent years there has been growing cooperation among GCC members on certain issues, such as:
- ♦ establishing standards;
- ♦ setting tariff ranges; and
- ♦ intellectual property protection.

There is also consideration being given to forming a customs union. Renewed work on a free trade area between the GCC and the EU is also pushing the six member states to closer coordination.

Arab Cooperation Council (ACC):
Jordan, Yemen, Egypt, and Iraq signed an agreement in February 1989, joining the countries in a new Arab economic bloc called the Arab Cooperation Council (ACC). The new community was designed to create a common market and encourage investment in joint projects. The goals of the association are to achieve economic integration in all production centres and coordinate the many areas including the economy, residence, travel, finance, industry, agriculture, transport, and communications.

Arab League Boycott of Israel
In 1994, the Arab League boycott of Israel was partially lifted. The original boycott was initiated in 1959 and stated that all products coming directly from Israel, through Israel, or containing inputs from Israel were banned from all Arab League countries. Moreover, trade with countries who also traded with Israel was restricted. The 1994 partial alleviation of the ban left only the primary ban on Israeli products intact.

BAHRAIN

Official Name	State of Bahrain
Head of State	Shaikh Isa Bin Sulman Khalifa
Minister of Agriculture	Ali Saleh Abdullah Al-Saleh
Language	Arabic (official), English, Farsi, and Urdu
Population (1995)	0.58 Million
Currency	Bahraini Dinar (DB)
Real GDP Growth (1995)	2.7%
Gross Domestic Product (1995 Per Capita)	$7,104
Consumer Price Inflation (1995)	3%
External Debt (1995)	$2.8 billion
Principle Growth Sectors	Agriculture, Manufacturing, and Construction
Total Country Exports (1995)	$3.5 Billion
Total Country Imports (1995)	$3.8 Billion
Agri-Food Imports from the World (1994)	US$229 Million
Agri-Food Imports from Canada (1995)	CDN$ 1 Million

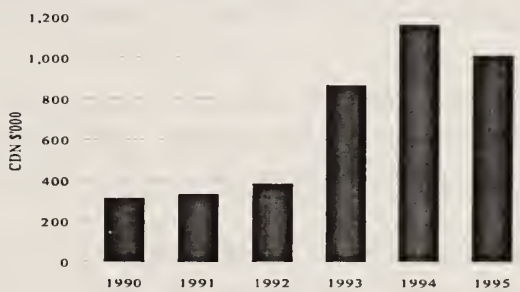
Canada's Agricultural Exports to Bahrain 1995

Bahrain's Agricultural Imports 1994

CANADA'S AGRICULTURAL EXPORTS TO BAHRAIN

StatsCan : IN CDN $'000	1991	1992	1993	1994	1995
Grains & Oilseeds	140	171	167	212	226
Livestock & Animal Products	0	0	0	0	16
Special Crops	2	26	225	310	280
Fruits, Nuts, & Vegetables	51	11	31	34	80
Dairy Products	0	0	0	0	0
Eggs & Poultry	0	0	0	0	0
Processed Food and Products	138	177	483	569	383
Beverages	54	25	12	105	119
TOTAL EXPORTS	**331**	**383**	**866**	**1,159**	**1,010**

Canada's Agricultural Exports to Bahrain 1990 - 1995

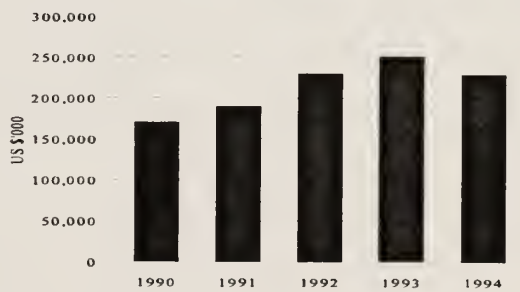


* Import and export totals may not match the sumof the commodities due to grouping and rounding procedures.

BAHRAIN'S TOTAL AGRICULTURAL IMPORTS

WTDB : IN US $'000	1990	1991	1992	1993	1994
Grains & Oilseeds	20,571	24,664	38,559	41,147	34,527
Livestock & Animal Products	19,186	16,251	18,187	19,437	20,716
Special Crops	20,133	21,914	20,396	19,035	16,922
Fruits, Nuts, & Vegetables	15,269	19,885	33,124	48,150	37,295
Dairy Products	21,859	21,269	24,685	27,251	26,117
Eggs & Poultry	10,729	13,663	17,429	17,040	18,284
Processed Food and Products	47,733	54,498	54,996	58,178	54,601
Beverages	15,240	18,228	22,844	20,185	20,050
TOTAL IMPORTS	**170,720**	**190,372**	**230,220**	**250,423**	**228,512**

Bahrain's Agricultural Imports From the World 1990 - 1995



BAHRAIN

BACKGROUND INFORMATION

Political Economy:

The State of Bahrain consists of a group of islands (620 square kilometres) in the Arabian Gulf, off the east coast of Saudi Arabia. It is a small market with an affluent population of just over 500,000, and a 1994 Gross Domestic Product (GDP) per capita of US$8,400. Recent social and political unrest has caused some problems and the economy has suffered as a result. However, many analysts have a very positive outlook on Bahrain's economic situation in coming years, and a strong upturn is expected.

Agriculture in Bahrain:

Bahrain is not self-sufficient in food production. The agricultural sector, which is heavily subsidized, produces some vegetables, fruits, dairy products, and poultry. Water demands have lessened agricultural production and current production from local farms provides for about 50% of domestic demand for eggs and poultry.

Agricultural Trade in Bahrain:

Bahrain imports agriculture and agri-food products from all over the world. Imports increased steadily from US$170.7 million in 1990 to as high as US$250 million in 1993. Total agri-food imports faced a fairly large decline in 1994, falling to US$228.5 million.

Canadian agriculture and agri-food exports to Bahrain have increased substantially since 1990 ($313,000) to over $1 million in 1995. Much of this growth has come from processed food and products and special crops.

Agricultural trade in Bahrain is dominated by a few large food importers, with a strong Western representation in the food market. In fact, Bahrain has the largest selection of US fast-food franchises in the Gulf Co-operation Council.

Canadian agri-food exporters interested in Bahrain must be aware of the 5% import duty on food products. As well, some import regulations, particularly expiry dates, differ from those used elsewhere in the region. For example, baby food has an 18 month expiry period compared with a 12 month period in the UAE or Saudi Arabia. This example serves to highlight the importance of verifying each country's regulations before any sales are made.

EXISTING OPPORTUNITIES

GRAINS AND OILSEEDS

Market Characteristics:

Total imports declined somewhat in 1994 to US$35 million, from the record figures of 1993, US$41 million. Bahrain's imports of grains and oilseeds in 1993 were double their 1990 levels.

Bahrain's grains and oilseeds imports are dominated by rice, maize, and vegetable oils:

- Rice imports have declined overall from 1990 levels of US$14 million to US$11.8 million in 1994, although they peaked in 1993 at US$19.7 million.
- Maize imports have fluctuated over the past several years, with imports of US$613,000 in 1994, down form US$1.9 million in 1993.
- Fixed vegetable oils on the other hand have been increasing steadily since 1990 (US$3.6 million) to reaching US$20.3 million in 1994.

Export Opportunities:

Canadian exports of grains and oilseeds to Bahrain have fluctuated somewhat over the past several years, but have increased overall since 1990, reaching $225,000 in 1995, up from $161,000 in 1990.

- Hard spring wheat flour exports reached $132,000 in 1995, a slight increase over 1990 ($129,000). Bahrain's imports of this product increased from US$275,000 in 1990 to US$399,000 in 1994.
- Canada exported sunflower seeds to Bahrain for the first time in 1995 ($29,000). Bahrain imported US$65,000 worth of sunflower seeds in 1994, exclusively from the US.

Constraints & Competitors:

The principal competitors in the grains market are Pakistan, India, and the US.

- Bahrain's imports of rice from Pakistan decreased from US$8.4 million in 1992 to US$3.7 million in 1994. Rice imports from India increased by over US$2 million over the period to reach US$7 million in 1994.
- The US is sole supplier of maize to Bahrain.

Canada's competitors for oilseeds include the US, Malaysia, and China.

- Bahrain's imports of fixed vegetable oils are dominated by the US and Malaysia. Imports from the US declined slightly from 1993 (US$11.7 million) to US$9 million in 1994. Whereas imports from Malaysia tripled over the period to reach US$8.4 million in 1994.
- China is the principal exporter of oilseeds and oleaginous fruit to Bahrain with sales of US$209,000 of the US$312,000 import market.

SPECIAL CROPS

Market Characteristics:
The special crops market in Bahrain has been slowly shrinking in recent years. Imports have decreased from their 1991 highs of US$22 million to almost US$17 million in 1994.

Better than 75% of this market is made up of tobacco and tobacco product imports; the remainder includes pulses and dried and dehydrated vegetables.

- Declining cigarette imports from US$19 million in 1991 to US$14.6 million in 1994 are responsible for the shrinkage in Bahrain's special crops import market.
- Bahrain's imports of pulses and dried and dehydrated vegetables have remained relatively constant, hovering around US$1.3 million and US$400,000 respectively.

Export Opportunities:
While Bahrain's total imports have been declining, Canada's market share has been increasing, particularly in the tobacco and tobacco product sub-sector. Canadian exports of special crops to Bahrain jumped from $0 in 1989 to over $300,000 in 1994, falling slightly to $280,000 in 1995.

- The increase in Canadian exports is primarily made up of tobacco products, making Canada the 4th largest supplier of tobacco products to Bahrain in 1994. The decline from 1994 to 1995 was solely in this sub-sector.
- Canada's exports of pulses and seeds for sowing increased from 0$ in 1991 to $29,000 in 1995.

Constraints:
The key competitors in tobacco products are the US and the EU.

- Imports from the US and the UK represent over 90% of Bahrain's imports of cigarettes.

In other special crops, Australia, India, Turkey, and Thailand are the principal exporters, likely taking advantage of close geographical proximity.

PROCESSED FOOD AND PRODUCTS

Market Characteristics:
Bahrain has a highly advanced value added food sector, with import figures that almost double any other agricultural product group. Imports of processed food and products have been steadily increasing over the past four years, hitting US$58 million in 1993, and then falling slightly to US$54.6 million in 1994.

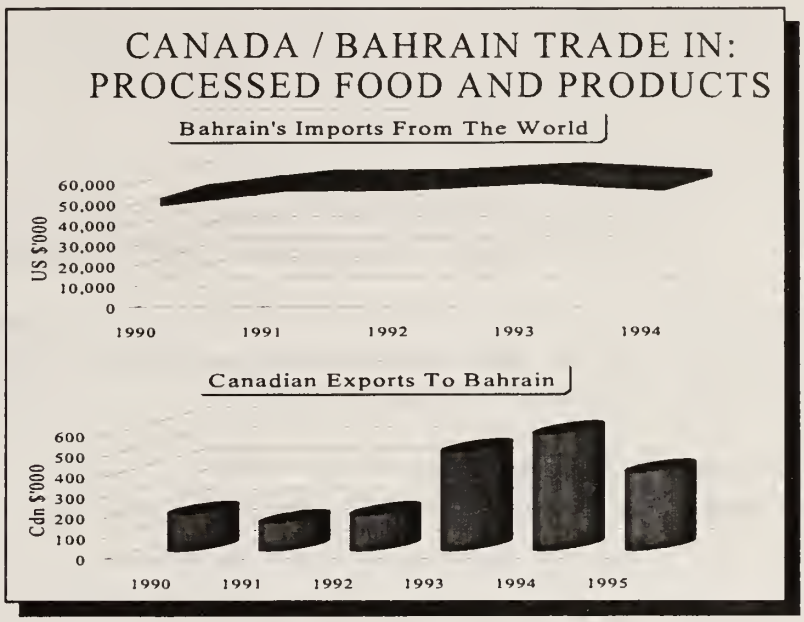
- Bahrain's imports of prepared meats (including sausages) reached US$2.7 million in 1994, up from US$1.8 million in 1990.
- Imports of prepared grains to Bahrain increased from US$10 million in 1990 to US$12 million in 1994; made up of US$2.1 million in breakfast foods, US$6 million in bakery products, and US$3.6 million in baby food.
- Bahrain imported US$6 million in chocolate and sugar confectionery in 1994, up from US$5.3 million in 1990.

- The largest increase in Bahrain's imports of processed food and products came from other edible products and preparations which almost doubled from 1990, to US$11.2 million in 1994.

The retail food sector is very competitive and more diverse than elsewhere in the Gulf in terms of the number of companies. As well, the local food processing industry is continuing to expand, offering export opportunities for semi-processed agricultural products. Major growth sectors include frozen vegetables, dough mixes, and snack foods.

Export Opportunities:

Canadian exports of processed food and products to Bahrain have also been increasing over the past five years. In 1990 exports were over $180,000. This increased to over $569,000 in 1994, but fell to $383,000 in 1995, which represented over 33% of Canada's total agri-food exports to Bahrain in that year.



- Canadian exports of french fries to Bahrain peaked in 1994 at $389,000, but declined to $174,000 in 1995, accounting for 17.3% of Canadian agri-food exports to Bahrain in 1995.
- Prepared grains exports from Canada to Bahrain almost doubled from $57,000 in 1990 to almost $100,000 in 1995.
- Canadian exports of chocolate and sugar confectionery to Bahrain fell from their high in 1993 ($228,000) to $31,000 in 1995, comprised exclusively of chocolate confectionery.
- Exports of miscellaneous edible preparations increased from $20,000 in 1990 to $67,000 in 1995.

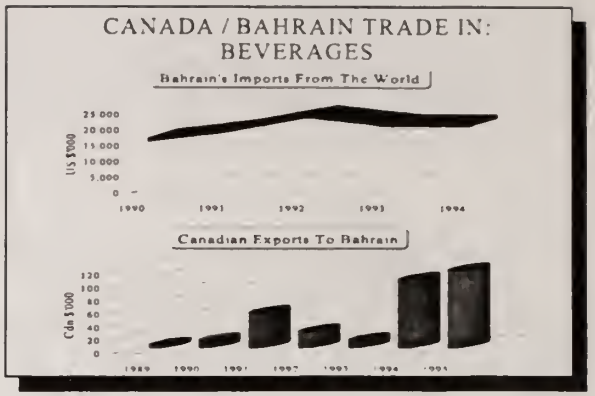
Growth in the local food processing industry is driving demand for semi-processed products such as beverage bases, vegetable oils, specialty flours and a variety of food ingredients. As well, Bahrain's affluent population and advanced market create a strong potential for snack foods, condiments, canned fruits and vegetables, and ready-made meals.

Constraints & Competitors:

The high level of competition in Bahrain's food market and the relatively small population makes it difficult to introduce new products. Transportation is also a major concern, however, the US is a major player in this market, and faces the same transportation issues that Canadian exporters do. Other competitors include the EU, Brazil, South East Asian and other GCC countries.

BEVERAGES

Market Characteristics:
Better than 80% of Bahrain's US$20 million in beverage imports in 1994 were made up of alcoholic beverages, spirits and liquor being the most prevalent. Bahrain's imports of beverages have increased by 25% from the 1990 levels of US$15 million. Most of this increase has come from fruit juices, other non-alcoholic beverages, and beer.



Export Opportunities:
Bahrain imports significant quantities of alcoholic beverages, and this is a sector where Canadian products have done well. Canadian exports of beverages to Bahrain have skyrocketed from $10,000 in 1990, to almost $120,000 in 1995.

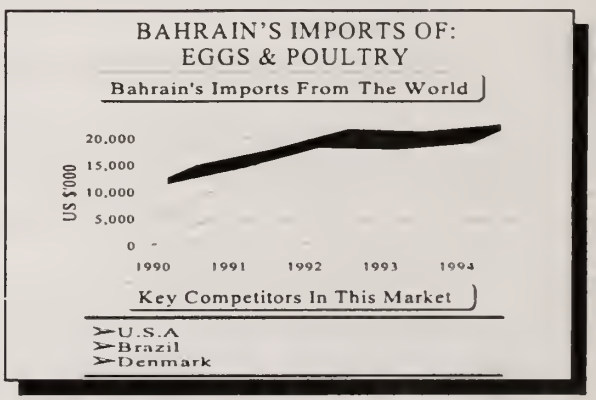
- Most of this increase has been in non-alcoholic beverages, specifically fruit juices which reached over $66,000 in 1995, and other non-alcoholic beverages which were $52,000 in 1995.

Although Canadian exports of alcoholic beverages to Bahrain have not done well in the past, Canada's reputation for high quality spirits, coupled with Bahrain's high imports levels may present opportunities for Canadian exporters in the future.

Constraints & Competitors:
Major competitors include the US, the EU, and Australia.

EMERGING OPPORTUNITIES:

POULTRY & EGGS



Market Dynamics:
The poultry and egg market is one of the most promising export opportunities in Bahrain's agriculture sector. Imports have increase substantially, almost doubling from US$10 million in 1990, to US$18.3 million in 1994. As well, whole chickens represent 90 percent of total imports of chicken meat. The preferred size for whole chickens ranges from 900-1200 grams per bird. Chicken parts are imported in two-pound trays. US frozen poultry meat, particularly chicken parts and to a lesser degree whole chickens and turkeys are well known for their high quality. Canadian exporters can use this perception of North American quality standards to their advantage to gain access to the market.

Constraints & Competitors:
Brazil and Denmark dominate the market for frozen whole chickens, while the U.S. and Brazil hold the market share for chicken parts.

INVESTMENT OPPORTUNITIES:

There are a number of opportunities for private investors in Bahrain. The State has expressed significant interest in increasing direct foreign investment in the country, and has undertaken to liberalize its laws and regulations to accommodate potential investors.

This government position has resulted in regulations allowing 100% foreign ownership of new industrial ventures and the establishment of representative offices or branches of foreign companies without local sponsors. Foreign investment has been primarily encouraged in sectors which are export-oriented and do not compete directly with local producers.

Firms that are 100% foreign-owned may set up for regional distribution services, or representation, and such companies may operate within the domestic or offshore market. Incentives offered to foreign investors include:

- personal corporate tax exemption;
- no restriction on capital and profit repatriation;
- a developed infrastructure with excellent transportation and communication facilities; and
- duty free access to GCC member states for products manufactured in Bahrain.

ANNEX A: MARKETING INFORMATION

Background Information:

Bahrain's primary commercial importance is as a regional centre, serving not only the Gulf countries but also the Middle East in general, and increasingly acting as a base for trade with South Asia. Because the country has limited oil and other natural resources, the government has long aimed at making Bahrain into the "Singapore" or "Hong Kong" of the region. Laws, regulations, and infrastructure have been developed with that goal in mind. In fact, Bahrain offers what many foreign businessmen judge to be among the most free and orderly business environments in the Gulf.

Distribution Structure in the Gulf (Excluding Saudi):

In general, the region's food retail sector is vertically integrated. In addition to their retail operations, the major supermarket chains also are importers, wholesalers and food distributors. Many of the largest companies also have catering, ship chandler and export divisions and are affiliated with local food processing firms. Several retailers are the sole agents for major brand names which they sell in their own stores and, also, distribute to competitor supermarkets. Finally, a few supermarket companies also operate internationally well-known fast food franchises.

Company Breakdown by Activity

Company	Imp	Dis	Who	Fra	Cat	Sch	Bak	Man
Al-Jazira Cold Sto.	Yes	Yes	Yes	Yes	Yes	Yes		
Exhibition/Midway	Yes	Yes	Yes	Yes				
Fine Foods	Yes	Yes	Yes		Yes	Yes	Yes	Yes
Jawad Cold Stores	Yes	Yes	Yes	Yes			Yes	
Spinneys	Yes	Yes	Yes		Yes	Yes		
TRAFCO	Yes	Yes	Yes		Yes			Yes
Universal Enterprises	Yes	Yes	Yes	Yes		Yes		

Key - Imp = Importer; Dis = Distributor; Who = Wholesaler; Fra = Franchisee; Cat = Caterer; Sch = Ship chandler; Bak = Bakery operator; Man = Manufacturer. Source: USDA/FAS: Attache Report "Food Retail Sector in Gulf Region"

Retail Structure in the Gulf (Excluding Saudi):

The region's food retail sector is highly competitive. There are approximately 24 major food retail companies in the region, all of which are expanding their operations. In addition, there are thousands of smaller, mom and pop outlets vying for a part of the Gulf region's relatively small customer base. According to trade contacts, heightened competition has forced profit margins down and many small store owners out of business.

An increasing number of retailers are charging for prime end-aisle space in their supermarkets. The current fee for an endcap is reportedly about $270/month. Shelf space charges are not yet as prevalent, but many stores require local suppliers to stock and maintain their own shelf space. It is also common practice for retailers to request promotional assistance or price reductions, directly or in the form of free products.

Most of the major supermarket chains in the Gulf region are family owned. The exceptions are the consumer cooperative societies, which are member-owned and may receive substantial government assistance in the form of building and operating subsidies, and three corporately owned companies, Continent, Prisunic and Spinneys. Because the Gulf region has a relatively small population base, local supermarket chains are smaller than European and North America-based chains in terms of number of outlets, sales volume and annual turnover. On average, local companies own 3-4 outlets, with the range running from 1-9.

Supermarkets:
Until recently, supermarket chains in the Gulf region tended to be single-country operations. Competition and improved transportation and communications facilities, however, have convinced most major players to expand from their traditional base-country into other GCC markets.

Another trend in the region's food retail sector is the development and expansion of new products and services. Nearly all the major supermarkets boast a fresh produce corner, dairy area, modern meat and seafood counters, frozen, health and ethnic food sections and an in-house bakery. Many outlets also offer food courts, fast food takeout and non-food services such as dry cleaning, video rental and flower shops. In sum, a Canadian consumer would feel right at home in any of the major food retail outlets in the Gulf region.

Cooperatives:
Pushed by the private sector, consumer cooperative societies have also begun to upgrade existing outlets and open new, upscale stores rivalling those of their privately-owned competitors. In Bahrain, cooperatives account for 7% of food sales.

Pricing:

The average importer mark-up on food products is about 10-15%. Retail food prices are generally 15-20% above import/wholesale prices.

ANNEX B: TRADE REGULATIONS

Import Licensing:

With the exception of alcoholic beverages, the Government of Bahrain does not require import licenses.

According to the Bahrain Customs and Ports Directories Handbook, a number of items are prohibited from import. These include: irradiated food products; and foodstuffs and sweets containing cyclamate (presentation of a certificate from manufacturers certifying that foods do not contain cyclamate is an important requisite).

In practice, rice is imported only by the Bahrain Import-export Company. The monopoly of this group over the importation of sugar was abolished.

Importers and exporters must be registered with the commercial registry maintained by the Ministry of Commerce and Agriculture and must be members of the Bahrain Chamber of Commerce and Industry.

Customs Tariff:

Customs duties are imposed on the basis of Cost, Insurance, Freight (CIF) at 5% on foodstuffs and non-luxuries, 50% on cigarettes and tobacco, and 125% on alcoholic drinks. The CIF valuation means that tariffs are charged on the full cost of the goods including transportation and insurance fees. No tax or duty is payable on imports of raw materials or semi-manufactured goods for manufacture, on imports required for development projects (but not including spare parts), on trans-shipment, or on re-exports. Bahrain levies a 5% ad valorem import duty on all food products from non-GCC countries. There is a protective duty of 25% on corn and palm oil imports, and on some other items for which there is a Bahraini manufacturing facility.

Taxes:

Bahrain is essentially a tax-free country. Indirect taxes are levied, including a tax on gasoline.

Labelling Requirements:

Food labels must contain the following information:

- product and brand names;
- production and expiry dates;
- country of origin;
- name of the manufacturer;
- net weight in metric units; and
- a list of ingredients and additives in descending order of importance.

All fats and oils used as ingredients must be specifically identified on the label. Labels must be in Arabic or Arabic/English. Stickers are not accepted. Bahrain strictly enforces labelling requirements. Small quantities of products with English-only labels may be approved for import on a case-by-case basis, for test marketing purposes.

Halal Export Requirements for Bahrain: *(information provided by Arab World Online)*

Eligible/Ineligible Products:

Eligible products: Fresh/frozen meat and poultry product.

Slaughter Requirements:

Ritual Islamic Halal Slaughter requirements apply.

Labelling Requirements:

All products: Storage temperature must be placed with the refrigeration statement on the boxes to fully clarify the type of product being handled. (Example: "keep frozen store at or below __ °C: keep chilled (or refrigerate) store between __ °C and __ °C.")

Fresh/frozen meat and poultry: In addition to the labelling features mandatory in North America, precut and packaged meat and poultry must bear the following features (in print):

- Bilingual labels. The Arabic language must be one of the languages used for declaration.
- Country of origin.
- Production (slaughtering or freezing) and expiration dates.
    - Spell out or abbreviate name of month. (Example: Jan. or January 1996.) The use of a number for a month is not acceptable. Calendar strips preprinted on label allowing the designation of calendar dates with the literal translation are in frequent use.
    - Production (slaughtering or freezing) and expiration dates required on shipping containers are only for institutional packing.
    - Production (slaughtering or freezing) date must be accompanied by the statement "Product good for __ months from date of production."
    - If the statement "Product best sold or used by (a specified date)" is used, the specified date must be the same as the expiration date.
    - Expiration date is calculated from the date the product was first frozen.
- Shelf life of product. The shelf life of product must start from production date.
- Metric net weight.
- Product identification.
- If a Certificate of Islamic Slaughter is required for subject production, a statement that the product has been slaughtered according to Islamic principles must be on label.

Prepackaged processed meat and poultry products: The production (packaging or freezing) and expiration dates and the net weights of frozen products are required on the label of prepackaged processed meat and poultry product.

Handling/Storage Requirements:

Bahrain requires that instructions for consumers concerning storage, preparation and other special handling requirements accompany all shipments.

ANNEX C: LOGISTICS

Infrastructure in Bahrain:

Bahrain has a highly developed infrastructure, including a state-of-the art telecommunications system, an Internet node, and good roads connecting the various population centres. The Bahrain International Airport is in the final stages of a major expansion and modernization, and, although the port is adequate for current volumes of sea-borne freight, there are plans to construct a second port, with significantly larger facilities for container handling, to allow for continuing industrial development and to remain competitive with other Gulf seaports. Most notably is the Saudi-financed 17-mile causeway that links the main Bahraini Island with Saudi Arabia and the Trans-Arabian Highway.

Entry and Warehousing:

When importing (or exporting) good from any customs station in Bahrain (whether or not the goods are dutiable), the owner, his agent, or the consignee of the goods, must present a declaration showing the quantity, description and value of the goods.

Merchandise must be moved within a two-month period from the port storage area. After that time, cargo will be automatically transported to the Isa Town depot and the local merchants will be billed for the storage costs. A four-month period of grace will be allowed at Isa Town, but after that period all goods will be auctioned to the public. If the value of the goods is prescribed in the tariff, customs shall value the goods accordingly, and the owner and consignee are bound to accept such valuation.

In assessing the value of goods not prescribed in the tariff, however, customs officials are not bound to accept the valuation as shown on the declaration or as given by any of the documents presented with the declaration. Any offenses against the customs regime in Bahrain may mean confiscation of the goods. If the goods are insured, the insurance certificate is required to clear through customs.

The customs clearance process is used to enforce the boycott of Israel. Goods produced by blacklisted firms are denied customs clearance.

Key Ports of Entry:

Mina Sulman is the principal port.

In November, 1993, the government announced that it intends to proceed with plans for a new deep-water container port for Bahrain, to be located off Al-Hidd (on the southern tip of Muharraq Island), near the ASRY dry docks. The new port is to be co-located with an industrial free zone are to be built on a filled site. A decision on project timing will be primarily determined by the availability of project financing, with completion coming as early as the end of the decade.

Shipping Restrictions:

The Bahrain government requires that shipments going to that country be carried on ships that will not enter certain specified ports en route and are permitted entry into Bahraini waters (ie. flag/ownership, age, etc. are acceptable). Shipments usually must be covered by a certificate issued by the shipping company which states that they meet all the requirements to enter Bahrain.

Free Trade Zones:

Mina Sulman, Bahrain's major port, provides a free transit zone to facilitate the duty-free import of equipment and machinery. Another free zone is located in the North Sitra Industrial Estate. Raw materials fro processing in Bahrain and machinery imported by Bahraini-owned firms are also exempt from duty. Such imported goods may be stored duty-free. Foreign-owned firms have the same investment opportunities in these zones as Bahraini companies.

Importer/Agency Agreements:

Except for factories or regional offices established in Bahrain, which can sell products and services locally, commercial sales within Bahrain can only be made through a Bahraini agent or a joint company set up with at least 51 percent Bahraini ownership. Thus for the export of products Canadian firms should use an agent. The United States, National Trade Data Bank explains the relationship as follows: "In Bahrain, a commercial agency exists whenever a foreign party appoints a Bahraini party as the exclusive representative of any product or service of the foreign party. Regardless of whether a relationship is structured as a distributorship, sales agency or otherwise, it will be governed by local law." The appointment of a commercial agent often enables the foreign company to achieve significant market penetration without establishing direct presence. However, in Bahrain, agency and distributorship agreements are legally binding contracts. Once such agreement has been registered, if the company were to carry on business directly without using its registered agent, the agent would still be entitled to a profit or commission on any transaction involving the registered product or activity.

There are numerous food importers, many of whom are also wholesalers, distributors, and retailers. Five to six companies dominate retail food sales. Local agency laws prohibit the importation and sale of brand name food products by other than the principal agent.

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Department of Foreign Affairs & International Trade

- "Doing Business in the Middle East" (September, 1996)

Agriculture and Agri-Food Canada

- "Agri-Food Overview of the Gulf States" (1996)

United States Department of Agriculture - Foreign Agricultural Service (USDA/FAS)

- Attache Reports
- Food Market Report

These information products provide a comprehensive review of the country's agricultural production characteristics, trade policies, and market issues. They are a valuable tool for any exporter in assessing the opportunities for agricultural exports to a given country or region. These reports (and others) can be accessed electronically via the internet at: ***http://ffas.usda.gov/ffas/markres.html.***

United States National Trade Databank

- International Trade Administration - "Country Commercial Guide"

The "Country Commercial Guides" offer the reader a broad analysis of the political/economic make-up of a country as well as a review of the economic trends and outlook for a number of industrial sectors.

EXPORT OPPORTUNITIES:

United States Department of Agriculture - Foreign Agricultural Service (USDA/FAS):

- Attache Reports

Statistics Canada

- Canadian Export Statistics (1988 - 1995)

World Trade Database

- Bahrain's Import Statistics from the World (1990 - 1994)

ANNEXES:

Arab World Online (AWO)

One of the most used sites for this study, Arab World Online is an information source with direct access to virtually every aspect of the Arab world. AWO is a joint-venture between the National U.S.-Arab Chamber of Commerce (NUSACC) and Multitasking Online. This site provides general overviews on all the countries in the Study, as well as detailed marketing, trade, and logistics information. Notably, the **Halal Requirements** section of Annex B is taken directly from this site. It can be accessed via the Internet at: ***http://www.awo.net.***

Arab Net

Arab Net is a web site that compiles a great deal of the relevant country and regional information available on the internet into one, easy to use, site. It can be accessed at: ***http://www.arab.net.***

Dun & Bradstreet Exporter's Encyclopaedia (1995)

This is the single most often cited information product used in the Annexes. It provides a detailed guide to trade and logistical information for all of the countries in the study, as well as a variety of other useful information for exporters interested in the region.

Migra's Canadian Exporter's Guide.

One of the few private sector Canadian sources available, this guide offers some very detailed documentation requirements for the countries in the region.

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